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April 12, 2006

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Mr. Michael F. McNulty
Lewis and Roca, LLP
One South Church Avenue, Suite 700
Tucson, Arizona 85701-1611

RE: Spanish Trail Water Company and Saguaro Water Company – Application to modify their existing Certificate of Convenience and Necessity (CC&N) Docket No. W-01816A-06-0177 and W-01790A-06-0177
INSUFFICIENCY LETTER

Dear Mr. McNulty:

In reference to the above mentioned application filed on March 17, 2006, this letter is to inform you that the application has not met the sufficiency requirements as outlined in the Arizona Administrative Code. The deficiencies are:

1. Please submit a drinking water design report which clarifies how water will be provided to the proposed CC&N area.

The report should identify existing and future sources, the capacities of existing sources, the estimated capacities of future sources and any existing demand on the present water sources.

The report should include the estimated water demand from a typical dwelling unit, the estimated demand from the proposed CC&N area.

The report should identify the location of future and existing transmission mains and include the timing or construction phasing of facilities.

The design report should describe water quality and address any water quality problems with the existing and future sources of water (as an example, will extra treatment costs arise in order to meet existing or future maximum contaminant levels for arsenic nitrates or fluorides in the drinking water and if so, how does the applicant plan to fund the necessary treatment plant additions).

2. Please provide a copy of the Arizona Department of Water Resources ("ADWR") Designation of Assured Water Supply, Certificate of Assured Water Supply or Letter of Adequate Water Supply for the CC&N area requested. If none of these are available, please provide a copy the ADWR Physical Availability Determination.
3. Please provide a copy of your proposed curtailment tariff that will apply to the area to be served. A sample tariff has been posted on the Commission's web site (www.cc.state.az.us/utility/water/forms.htm) or is available upon request from Commission Staff.
4. Please provide a set of design plans for the proposed water facilities. If final plans are not available, preliminary design plans should be provided.
5. Please provide an estimate of the water construction costs to the Applicant, necessary to serve the proposed CC&N. The costs should include a description of the major components with the cost of the component (i.e., wells, number and size of storage tanks, water treatment plant, etc.). The method of financing for the major components should be specified.
6. Please provide the most current Arizona Department of Environmental Quality ("ADEQ") Compliance Report for Spanish Trail Water Company and Saguaro Water Company.
7. Please indicate who will be providing wastewater service in the proposed CC&N area.
8. Please provide a copy of the Arizona Department of Environmental Quality's Approval to Construct the water facilities to serve the proposed CC&N transfer area. If the Approval to Construct has not been issued, please inform Staff of the status of the application for the Approval to Construct.
9. Please provide Spanish Trail Water Company's 2005 financial statements.
10. Please provide information on the rates and charges Spanish Trail Water Company plans to charge in the proposed transfer area for water service.
11. Please provide a copy of the Pima County Franchise agreement that includes the proposed transfer area. If the franchise agreement has not been issued to Spanish Trail Water Company, please inform Staff of the status of the application for the franchise agreement.
12. In the application, the mailing address for the two Companies is the same. Please explain the relationship between the two Companies. Do they have the same shareholders, members, and/or parent Company?

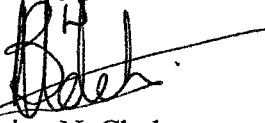
13. Please provide a request for service from the property owner or a letter showing that the property owner consents to the transfer of the property to Spanish Trail Water Company.

Staff would like to use this opportunity to bring the following to your attention:

- Pursuant to the Arizona Administrative Code ("A.A.C.") R-14-2-411(C), upon meeting sufficiency requirements, the Commission has 150 calendar days for its substantive review. This includes conducting a hearing and preparing Opinion and Order to present to the Commission at an Open Meeting; and
- Pursuant to A.A.C. R14-2-411(C)(3), Staff may terminate an application if the applicant does not remedy all deficiencies within 60 calendar days of the notice of deficiency.

Please file your response to this Insufficiency Letter with Docket Control. If you have any questions concerning this matter, please do not hesitate to contact me at 602-542-0840 and Jian Liu at 602-542-7272.

Very truly yours,


Blessing N. Chukwu
Executive Consultant III

BNC

cc: Docket Control
Del Smith
Lyn Farmer
Brian Bozzo
Vicki Wallace